

**UMSHWATHI MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2013**

In terms of section 126 (1) of the Municipal Finance Management Act, I am responsible for the annual financial statements, which are set out on pages 1 to 33, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



**M.V. Cebekhulu**  
**MUNICIPAL MANAGER**

**29 August 2013**  
**Date**

<b>INDEX</b>	<b>Page</b>
General Information	01
Accounting Officer's Report	03
Accounting Policies	04
Statement of Financial Position	18
Statement Of Financial Performance	19
Statement of Changes in Net Assets	20
Cash Flow Statement	21
Notes to the Annual Financial Statements	22
Appendix A: Schedule of External Loans	36
Appendix B: Analysis of Property, Plant and Equipment	37
Appendix C: Segmental Analysis of Property, Plant and Equipment	38
Appendix D: Segmental Statement Of Financial Performance	39
Appendix E (1): Actual versus Budget (Revenue and Expenditure)	40
Appendix E(2) Actual versus Budget (acquisition of Property, Plant and Equipment)	41
Appendix F: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	42

## **GENERAL INFORMATION**

**SPEAKER OF COUNCIL** : Cllr. N.M.N. Gabela

### **MEMBERS OF THE EXECUTIVE COMMITTEE**

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S. Zondi	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	A.T. Thusi	:	Exco Member
Councillor	V.M. Mncwabe	:	Exco Member

### **CATEGORY OF LOCAL AUTHORITY**

CATEGORY TWO (2)

### **AUDITORS**

AUDITOR-GENERAL SOUTH AFRICA

### **BANKERS**

FIRST NATIONAL BANK

### **REGISTERED OFFICE**

Main Road  
New Hanover  
3230

### **TELEPHONE**

033 - 5020282

### **MUNICIPAL MANAGER**

Mr. M.V. Cebekhulu

### **CHIEF FINANCIAL OFFICER**

Mr. R.M. Mani

## MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

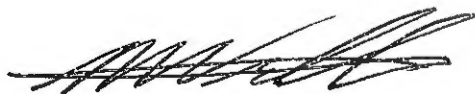
PR	:	Cllr. N.M.N. Gabela
PR	:	Cllr. S.J. Luthuli
PR	:	Cllr. R. Mungroo
PR	:	Cllr. N.R. Khanyile
PR	:	Cllr. N.A. Thusi
PR	:	Cllr. N.P. Mdunge
PR	:	Cllr. T.A. Hlatswayo
PR	:	Cllr. M.M. de Vries
PR	:	Cllr. V.M. Mncwabe
PR	:	Cllr. Z.A. Thusi
PR	:	Cllr. N.H. Hlophe
PR	:	Cllr. T.I. Gabela
PR	:	Cllr. N.L. Shabangu
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. P.M. Dladla
W3	:	Cllr. S.S. Mbhele
W4	:	Cllr. G.S. Maseko
W5	:	Cllr. G.H. Ngcobo
W6	:	Cllr. S.R.G. Gumede
W7	:	Cllr. S.M. Mbatha-Ntuli
W8	:	Cllr. B.M. Gwala
W9	:	Cllr. E.B. Mbongwe
W10	:	Cllr. M.J. Mkhize
W11	:	Cllr. A.T. Thusi
W12	:	Cllr. S.A. Duma
W13	:	Cllr. M. Goba

**MAYOR** : **Councillor B.M. Gwala**

**DEPUTY MAYOR** : **Councillor S.S. Zondi**

## APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 18 to 42 were approved by the Municipal Manager on 29 August 2013 and presented to and approved by Council on 29 August 2013.



**MUNICIPAL MANAGER**  
(Accounting Officer)  
29 August 2013



**CHIEF FINANCIAL OFFICER**  
29 August 2013

## Accounting Officer's Report

### 1 OPERATING RESULTS

Details of operating results, classification and object of expenditure are included in appendices C and D. A summary of the operating for the year under review is set out hereunder

	2012/2013	2011/2012
1.1 Rate and General Services		
Expenditure		
Ordinary	71,348,804	64,752,784
Capital	<u>0</u>	<u>0</u>
	<u>71,348,804</u>	<u>64,752,784</u>
Income		
Assessment Rates	15,562,302	9,352,617
Other	<u>90,301,315</u>	<u>83,334,645</u>
	<u>105,863,617</u>	<u>92,687,262</u>
Accumulated Surplus		
Surplus/(Deficit) for year	34,514,813	27,934,478
Surplus brought forward	119,357,667	91,423,189
Prior Year Adjustment		
Reduction in Bad Debt Provision		
	<u>153,872,480</u>	<u>119,357,667</u>

### 2 CAPITAL EXPENDITURE AND FINANCING

	2012/2013	2011/2012
Expenditure		
Rate and General Services	25,569,099	16,446,261
	<u>25,569,099</u>	<u>16,446,261</u>
Financing		
Grants and Subsidies	18,404,000	16,446,261
Revenue Contributions to Capital Outlay	7,165,099	0
	<u>25,569,099</u>	<u>16,446,261</u>

### 3 REVENUE

Rates form 14.70% of the total income of the municipality, the remainder of the income is generated by grants and trading services, The Equitable Share received from National Government forms the bulk of the municipalities income amounting to R 55 307 000.00.

Interest received on investments and the current amounts is R 795 711 and interest on arrear accounts amounted to R 7 563 583.

### 4 EXPENDITURE

Employee costs amounts to R29.69 million and forms 41% of total expenditure of the municipality, while repairs and maintenance amounted to R3 851 107 and forms 5.4% of total expenditure.

  
Accounting Officer

Date 29-Aug-13

**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

## **1. BASIS OF PRESENTATION**

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue
GRAP 12	Inventories
GRAP 13	Leases
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset

GRAP statements 4, 6, 7, 8, 10, 11, 14, 16, 100, 101 and 102 have not been implemented since they do not affect the operations of the municipality. GRAP statement 18 is currently not being applied since no effective date has yet been determined.

GRAP statements 21, 23, 24, 26, 103 and 104 have been effective from 1 April 2012 and thereafter. GRAP 103 has not been implemented by the municipality since it does not have any Heritage assets.

The Minister of Finance has announced the effective date for GRAP 25 as on or after 01 April 2013, however he still has not determined effective dates for the GRAP statements 105, 106 and 107. The statements that affect the municipality will be applied once the effective dates are determined and the impact of the application of the statements is not known and cannot be reasonably estimated.

Details of related party transactions are disclosed as per paragraph 27 of IPSAS 20.

These accounting policies are consistent with those of the previous financial year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

**uMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

The principal accounting policies adopted in the preparation of these annual financial statements, have been consistently applied. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

## **2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand

## **3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

## **4. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

## **5. RESERVES**

### **5.1 *Revaluation Reserve***

A revaluation reserve is created in the event where the values of items of property, plant and equipment are valued up. The increased amount of revaluation is credited to the revaluation reserve. Any subsequent revaluations of items of property, plant and equipment is charged against this revaluation reserve.

## **6. ASSETS**

### **6.1 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value .If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

**UMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

Assets under construction are recognised as such and capitalized at the cost incurred as at year end. Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired. Refer to paragraph 14.1.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	YEAR	OTHER	YEARS
<b>Infrastructure</b>			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Air Conditioners	5
Electricity	20	Other Vehicles	5
Housing	30	Office equipment	5
Street Lights	25	Furniture and Fitting	10
		Radios	5
<b>Community</b>		Other items of plant and equipment	3
Buildings	30	Computers and Computer Software	5
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged against the Revaluation reserve.

Depreciation on assets under construction during the year is only provided for once the asset is brought into use.

## **6.2 INTANGIBLE ASSETS**

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over its useful life. Intangible assets are disclosed at cost less amortization in the financial statements.



## **7. FINANCIAL INSTRUMENTS**

The fair value of financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are valued at cost, including interest capitalized, at the end of the reporting period.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying value of trade receivables and payables are assumed to approximate their fair values. Trade receivables (debtors) have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors and arrear accounts are charged interest on the arrear balance on a monthly basis.

### **7.1 ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. The bulk of the outstanding debtors are made up of rates and interest raised on arrear accounts over the years. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. No bad debts were written off during the year. Amounts that are receivable within 12 months from the reporting date are classified as realisable

The impairment for trade receivables is calculated on a portfolio basis and is based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date.

### **7.2 TRADE CREDITORS**

Trade creditors are stated at their nominal value.

### **7.3 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and with banks. Cash equivalents are short- term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

## **8. INVENTORIES**

The only inventory held is that of consumable stores. The cost of consumable stores is expensed at the time of purchase.

## **9. BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

## **10. REVENUE RECOGNITION**

### ***10.1 Revenue from exchange transactions***

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use.

Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

### ***10.2 Revenue from non-exchange transactions***

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

**UMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

## **11. CONDITIONAL GRANT AND RECEIPTS**

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

## **12. PROVISIONS**

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

## **13. LEASES**

Leases for photocopiers are recognised as operating leases and the contractual lease payments are recognised as expenses over the term of the lease.

The hire purchase agreement for the mayor's vehicle is classified as a finance lease and is recognised as an asset in the statement of financial position and the lessor is disclosed as a finance lease obligation.

## **14. IMPAIRMENT OF ASSETS**

### **14.1 Cash Generating Assets**

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

**uMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Identification**

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

**Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

**Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

**Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is charged against the Revaluation Reserve.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**uMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

**uMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**Reversal of an impairment loss**

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised against the Revaluation Reserve.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.
- The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

**Re-designation**

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

**uMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**Non-Cash-Generating Assets**

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

**Identification**

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

**Value in use**

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approaches:

**Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the

**uMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

**Restoration cost approach**

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

**Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Reversal of an impairment loss**

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.



**uMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Re-designation**

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

## **15. EMPLOYEE BENEFITS**

### **15.1 Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected

**uMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus; incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

**15.2 Post-employment benefits: Defined contribution plans**

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

**16. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003), Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**17. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**18. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial

**uMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **19. COMPARATIVE INFORMATION**

### ***19.1 Current Year Comparatives***

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

### ***19.2 Prior Year Comparatives***

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

## **20. RELATED PARTIES**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favorable than the terms it would use to conclude transactions with another entity or person are disclosed.

**uMSHWATHI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013**

	Note	2013 R	2012 R
<b>ASSETS</b>			
<b>Non - current assets</b>		117,205,242	97,134,660
Property , plant and equipment	6	117,205,242	97,134,660
Intangible Assets	7	0	0
<b>Current assets</b>		54,532,677	44,263,494
Receivables: Non-Exchange Transactions	8	26,078,523	20,774,422
Receivables: Exchange Transactions	8	18,099,019	11,605,740
Other debtors	11	2,877,131	2,326,754
Value added tax	5	1,573,101	341,033
Call investment deposits	10	5,472,448	8,623,989
Bank balances and cash	11/21	432,454	591,556
<b>Total Assets</b>		<b>171,737,919</b>	<b>141,398,154</b>
<b>Non - current liabilities</b>		17,680,257	20,640,891
Long term liabilities	2	17,294,978	20,153,807
Finance Lease Obligation	2	385,279	487,084
<b>Current liabilities</b>		7,913,333	9,290,455
Creditors	3	3,320,491	6,324,828
Current portion of Finance Lease Obligation	2	128,426	121,771
Unspent conditional grants and receipts	4	0	118,143
Current portion of long term liabilities	2	4,464,416	2,725,713
<b>Total Liabilities</b>		<b>25,593,590</b>	<b>29,931,346</b>
<b>Net Assets</b>		<b>146,144,329</b>	<b>111,466,808</b>
<b>NET ASSETS</b>			
<b>Net assets</b>		146,144,329	111,466,808
Housing Development Fund	1	2,823,670	2,879,277
Revaluation Reserve		4,614,902	4,614,902
Accumulated surplus		138,705,757	103,972,629
		<b>146,144,329</b>	<b>111,466,808</b>

**uMSHWATHI LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2013**

BUDGET			ACTUAL		
2012 R	2013 R	REVENUE	Note	2013 R	2012 R
<b>Revenue from Non-Exchange Transactions</b>					
11,780,000	15,230,000	Property rates	12	15,562,302	9,352,617
890,000	800,000	Property rates - penalties imposed and collection charges		1,048,502	873,068
300,000	800,000	Interest earned - external investments		795,711	571,138
6,500,000	7,000,000	Interest earned - outstanding debtors		7,563,583	7,455,037
101,000	101,000	Fines		46,910	41,280
51,470,000	58,403,000	Government grants and subsidies	14	58,061,000	51,830,073
		Capital Funding		18,404,000	18,563,285
<b>71,041,000</b>	<b>82,334,000</b>			<b>101,482,008</b>	<b>88,686,498</b>
<b>Revenue from Exchange Transactions</b>					
1,450,000	1,700,000	Service charges	13	1,649,791	1,480,958
140,000	145,000	Rental of facilities and equipment		172,800	152,434
1,825,000	1,900,000	Income for agency services		2,225,764	1,876,463
192,500	640,500	Other income	15	333,255	263,417
		Sale of Assets		0	227,492
<b>3,607,500</b>	<b>4,386,500</b>			<b>4,381,610</b>	<b>4,000,764</b>
<b>74,648,500</b>	<b>86,719,500</b>	<b>Total Revenue</b>		<b>105,863,617</b>	<b>92,687,262</b>
<b>EXPENDITURE</b>					
29,615,514	31,299,500	Employee related costs	16	29,692,079	26,516,768
5,897,486	7,766,000	Remuneration of Councillors	17	6,296,071	6,249,538
		Bad debts			
100,000	100,000	Collection costs		0	61,600
		Amortisation of Intangible Assets		0	80,461
6,500,000	7,500,000	Depreciation		5,498,517	6,540,321
6,684,000	6,208,000	Repairs and maintenance		3,851,107	2,279,263
2,500,000	2,300,000	Interest paid	18	2,181,478	2,704,115
150,000	75,000	Contracted services		153,131	32,674
21,051,500	21,516,000	General expenses	23.7	22,747,650	19,360,128
150,000	200,000	Contribution to Reserves		928,771	927,916
2,000,000	9,755,000	Contribution to Capital		0	0
<b>74,648,500</b>	<b>86,719,500</b>	<b>Total Expenditure</b>		<b>71,348,804</b>	<b>64,752,784</b>
<b>-</b>	<b>-</b>	<b>Surplus/(Deficit) for the year</b>		<b>34,514,814</b>	<b>27,934,478</b>

Refer to Appendix E .1 for explanation of variances

**uMSHWATHI LOCAL MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>Housing Development Fund R</b>	<b>Revaluation Reserve R</b>	<b>Accumulated Surplus R</b>	<b>Total R</b>
<b>Balance as per 30 June 2011</b>	<b>2,899,376</b>	<b>4,619,502</b>	<b>78,105,915</b>	<b>85,624,793</b>
Surplus (deficit) for the year	(20,099)	-	27,934,478	27,914,379
Prior Year Adjustment	-	(4,600)	18,046	13,446
<b>Original Balance as at 30 June 2012</b>	<b>2,879,277</b>	<b>4,614,902</b>	<b>106,058,438</b>	<b>113,552,617</b>
Adjustment for Prior Year Adjustments			(2,085,809)	(2,085,809)
<b>Restated Balance as at 30 June 2012</b>	<b>2,879,277</b>	<b>4,614,902</b>	<b>103,972,629</b>	<b>111,466,808</b>
Surplus (deficit) for the year	(55,607)	-	34,514,814	34,459,207
Prior Year Adjustment	-	-	-	-
Old Suspense accounts reverse to Revenue			218,314	218,314
<b>Balance as at 30 June 30 June 2013</b>	<b>2,823,670</b>	<b>4,614,902</b>	<b>138,705,757</b>	<b>146,144,329</b>

**uMSHWATHI LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 R	2012 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sales of Goods and Services		15,023,080	9,933,317
Grants		57,942,857	51,830,073
Interest Received		795,711	571,138
Other Receipts		18,404,000	28,525,837
		<u>92,165,648</u>	<u>90,860,365</u>
<b>Payments</b>			
Employee Costs		35,988,150	32,766,306
Suppliers		30,522,287	25,736,832
Interest Paid		2,134,019	2,704,115
Other Payments		0	3,639,600
		<u>68,644,456</u>	<u>64,846,853</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<u>23,521,192</u>	<u>26,013,512</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(25,569,099)	(16,510,110)
Proceeds on disposal of property, plant and equipment		-	227,492
Proceeds from investments		3,151,541	(4,951,448)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u>(22,417,558)</u>	<u>(21,234,066)</u>
<b>CASH FLOWS FROM FROM FINANCING ACTIVITIES</b>			
Repayment of external loans		(1,120,127)	(4,511,535)
Repayment of finance lease obligations		(142,610)	-
Increase (decrease ) in short term loans			
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u>(1,262,737)</u>	<u>(4,511,535)</u>
<b>NET INCREASE (DECREASE ) IN CASH AND CASH EQUIVALENTS</b>		<u>(159,103)</u>	<u>267,911</u>
Cash and cash equivalents at the beginning of the year		591,556	323,645
Cash and cash equivalents at the end of the year		<u>432,453</u>	<u>591,556</u>
		<u>(159,103)</u>	<u>267,911</u>

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>1 HOUSING DEVELOPMENT FUND</b>		
Housing Development Fund		
Unappropriated Surplus		
Loans extinguished by Government on 1 April 1998	2,823,670	2,879,277
	<u>2,823,670</u>	<u>2,879,277</u>
The Housing Development Fund is represented by the following assets and liabilities		
Housing selling scheme loans ( see note 13 )	0	0
Housing rental and instalment debtors ( see note 15 )	1,824,757	1,799,083
Debtors - Department of Housing	165,332	165,332
Bank and cash	833,582	914,862
Sub - total	2,823,670	2,879,277
Creditors		
Total Housing Development Fund Assets and Liabilities	<u>2,823,670</u>	<u>2,879,277</u>
<b>2 LONG TERM LIABILITIES</b>		
Capitalised lease liability		
External loans	21,759,394	22,879,520
	<u>21,759,394</u>	<u>22,879,520</u>
Less current portion transferred to current liabilities	-4,484,416	-2,725,713
	<u>17,294,978</u>	<u>20,153,807</u>
External loans are made up of loans from the Development Bank of SA and First National Bank as detailed in Appendix A		
Finance Lease Obligation		
Minimum Lease Payment Due		
- within 1 year	157,419	155,859
- within 2nd and 5th year inclusive	472,257	623,838
	<u>629,676</u>	<u>779,797</u>
Less future finance costs	(115,971)	(170,942)
	<u>513,705</u>	<u>608,855</u>
Present Value of minimum lease payments		
- within 1 year	128,426	121,771
- within 2nd and 5th year inclusive	385,279	487,084
	<u>513,705</u>	<u>608,855</u>
The lease term is 5 years. The finance charges is recognised as an expense in the statement of financial performance. The leased asset, the Jeep Grand Cherokee, is included in Property Plant and equipment in Note 6		
Net Long Term Liabilities		
External Loans	17,294,978	20,153,807
Finance Lease Obligation	385,279	487,084
	<u>17,680,257</u>	<u>20,640,891</u>
<b>3 CREDITORS</b>		
Trade creditors	1,333,928	1,241,282
Staff leave	1,819,477	1,371,005
VAT provision	159,356	92,508
Payments in advance	0	165,504
Retention payable	0	103,898
National Lottery	163,557	1,183,700
Deposits other	0	3,304
Other creditors	44,173	77,818
Prior Year Adjustment		2,085,809
	<u>3,320,491</u>	<u>6,324,828</u>
<b>4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
4.1 Conditional grants from other spheres of government	0	118,143
Total conditional grants and receipts	<u>0</u>	<u>118,143</u>
MIG		
Opening Balance	0	0
Received During the year	18,404,000	15,171,000
Expended During the year	-18,404,000	-15,171,000
Closing Balance	<u>0</u>	<u>0</u>
FMG		
Opening Balance	0	342,186
Received During the year	1,500,000	1,500,000
Expended During the year	-1,500,000	-1,842,186
Closing Balance	<u>0</u>	<u>0</u>
MSIG		
Opening Balance	0	66,811
Received During the year	800,000	790,000
Expended During the year	-800,000	-856,811
Closing Balance	<u>0</u>	<u>0</u>



**UMSWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
DoE Funding		
Opening Balance	0	3,392,285
Received During the year	0	0
Expended During the year	0	-3,392,285
Closing Balance	<u>0</u>	<u>0</u>
General Grant		
Opening Balance	58,025	58,025
Received During the year	0	0
Expended During the year	-58,025	0
Closing Balance	<u>0</u>	<u>58,025</u>
Housing Plan		
Opening Balance	60,118	66,901
Received During the year	0	0
Expended During the year	-60,118	-6,783
Closing Balance	<u>0</u>	<u>60,118</u>
<b>5 VAT</b>	<u>1,573,101</u>	<u>341,033</u>
VAT refundable	<u>1,573,101</u>	<u>341,033</u>
VAT is payable on the receipts basis		

2013 R	2012 R
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## 30-Jun-2013

Reconciliation of carrying value	Land and Buildings	Infra-structure	Furniture & Equipment	Vehicles	Machinery & Tools	Total
Carrying value at 1 July 2012						
Cost	53,801,179	69,416,980	3,343,417	2,194,717	831,792	129,588,085
Revaluation	5,563,446	600,029	(665,622)	-	-	5,497,853
Accumulated depreciation						
- Cost	(6,261,184)	(28,418,104)	(2,094,080)	(1,400,088)	-660,773	(38,834,229)
- Revaluation	(1,241,195)	1,884,833	239,313	-	-	882,951
	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660
Acquisitions	228,992	1,666,274	700,204	4,512,979	32,475	7,140,925
Capital under construction	9,202,687	9,225,487				18,428,174
Disposal: Cost						-
Disposal: Depreciation						-
Depreciation						
- based on cost	(1,909,375)	(2,538,271)	(357,640)	(620,980)	(72,250)	(5,498,517)
- based on revaluation						
Carrying value of disposals						
Cost/revaluation				-	-	-
Accumulated depreciation				-	-	-
Carrying value at 30 JUNE 2013						
Cost	63,232,857	80,308,741	4,043,621	6,707,696	884,287	155,157,183
Revaluation	5,563,446	600,029	(665,622)	-	-	5,497,853
Accumulated depreciation						
- Cost	(8,170,559)	(30,958,375)	(2,451,720)	(2,021,068)	-733,023	(44,332,746)
- Revaluation	(1,241,195)	1,884,833	239,313	-	-	882,951
	59,384,549	51,837,228	1,165,592	4,686,628	131,244	117,205,242
Reconciliation of carrying value	Land and Buildings	Infra-structure	Furniture & Equipment	Vehicles	Machinery & Tools	Total
Carrying value at 1 July 2011						
Cost	44,994,272	62,718,807	3,171,896	3,298,223	639,448	114,820,644
Revaluation	5,563,446	600,029	(665,622)	-	-	5,497,853
Accumulated depreciation						
- Cost	(4,854,558)	(24,100,907)	(1,941,878)	(2,552,515)	-517,438	(33,787,384)
- Revaluation	(1,241,195)	1,884,833	239,313	-	-	882,951
	44,661,865	41,102,762	803,709	743,708	122,010	87,434,054
Acquisitions	1,404,096	8,698,173	171,521	641,162	192,346	9,107,298
Capital under construction	7,402,811					7,402,811
Revaluation: Cost						-
Revaluation: Depreciation						-
Depreciation						
- based on cost	(1,606,526)	(4,317,197)	(152,202)	(344,109)	-143,337	(6,563,371)
- based on revaluation						
Carrying value of disposals						
Cost/revaluation				(1,742,688)	-	(1,742,688)
Accumulated depreciation				1,498,536	-	1,498,536
Carrying value at 30 JUNE 2012						
Cost	53,801,179	69,416,980	3,343,417	2,194,717	831,792	129,588,085
Revaluation	5,563,446	600,029	(665,622)	-	-	5,497,853
Accumulated depreciation						
- Cost	(6,261,184)	(28,418,104)	(2,094,080)	(1,400,088)	(660,773)	(38,834,229)
- Revaluation	(1,241,195)	1,884,833	239,313	-	-	882,951
	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660

Refer to Appendix B for more detail on property, plant and equipment

Office Extension	501,260	94,684
Thusong Centre	6,138,620	5,015,328
Staff Facilities	470,902	1,772,111
Thokozane Creche	123,533	520,708
D708	947,825	0
Dumela Bridge	137,397	0
D1006	201,741	0
D599	751,199	0
Rehabilitation of Trust Feed Road	2,601,757	0
Construction of Shalkeni Road	491,235	0
Gqungquma Road	130,808	0
Construction of Kwantanzi Rd	799,539	0
Upgrade of New Hanover Ext Roads	784,398	0
Rehabilitation of Thokozane Road	1,185,220	0
Upgrading of Efaya Road	1,194,370	0
Cool Air Sports Field	1,177,005	0
Mphweni Sports Track	791,366	0

18,428,174	7,402,811
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**uMSHATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>7 INTANGIBLE ASSETS</b>		
Software Licences and LAN Network		
Cost	321,844	321,844
Amortisation	-321,844	-321,844
Carrying Amount	<u>0</u>	<u>0</u>

The software and network is being amortised over 5 years being its useful life

**8 CONSUMER DEBTORS**

Balances at 30 June 2013	Gross balance	Provision for doubtful debts	Net balance
Receivables from Exchange Transactions			
Service debtors	2,572,783	-1,300,418	1,272,365
Housing	566,252		566,252
Sundry (Interest)	27,982,970	-11,722,567	16,260,403
	<u>31,122,005</u>	<u>(13,022,985)</u>	<u>18,099,019</u>
Receivables from Non-Exchange Transactions			
Rates	26,078,523	0	26,078,523
Total	<u>57,200,528</u>	<u>(13,022,985)</u>	<u>44,177,542</u>

**Ageing**

	Current ( 0 - 30 < 31 - 60 days	61 to 90 days	91 - 120 days	121 days and over	
Receivables from Non-Exchange Transactions					
Rates	2,569,282	1,610,644	1,300,983	1,150,293	19,447,321
Receivables from Exchange Transactions					
Refuse Services and other	697,559	926,878	893,125	856,339	27,748,104
					<u>67,200,528</u>

Balances at 30 June 2012	Gross balance	Provision for doubtful debts	Net balance
Receivables from Exchange Transactions			
Service debtors	2,004,032	-1,300,418	703,614
Housing	616,546		616,546
Other	22,008,147	-11,722,567	10,285,580
	<u>24,628,725</u>	<u>(13,022,985)</u>	<u>11,605,740</u>
Receivables from Non-Exchange Transactions			
Rates	20,774,422	0	20,774,422
Total	<u>45,403,147</u>	<u>(13,022,985)</u>	<u>32,380,162</u>

**Ageing**

	Current ( 0 - 30 < 31 - 60 days	61 to 90 days	91 - 120 days	121 days and over	
Receivables from Non-Exchange Transactions					
Rates	1,502,979	883,198	795,631	741,616	16,850,999
Receivables from Exchange Transactions					
Refuse Services and other	756,234	716,443	694,345	676,564	21,785,138
					<u>24,628,724</u>
					<u>45,403,147</u>

The carrying value of debtors is assumed to approximate its fair value since interest is charged on accounts once gone into arrears. An estimate is made of doubtful debts based on a review of all outstanding debtors at year end. The current provision is considered is considered adequate since the bulk of the debtors are rates debtors and Government Departments. Debtors have not been discounted since interest is charged on arrear balances on a monthly basis.

Impairment loss on debtors is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

**9 OTHER DEBTORS**

District Municipality	404,244	220,203
Thokazane housing	1,438,744	1,438,745
Department of Housing	165,332	165,331
Accrued Interest	49,180	49,760
uMngeni	259,356	0
Other	560,275	452,715
Total other debtors	<u>2,877,131</u>	<u>2,326,754</u>
less: Provision for doubtful debts	<u>-</u>	<u>-</u>
	<u>2,877,131</u>	<u>2,326,754</u>

**10 CALL INVESTMENT DEPOSITS**

32 day/90 day deposits	5,472,448	8,623,989
	<u>5,472,448</u>	<u>8,623,989</u>

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

		2013 R	2012 R
Investments are 32 day and /or 90 day money market accounts. A call account is also held in which the equitable share is transferred when received. Funds are transferred from the call account as and when required.			
Bank	Account No.	Amount	
Standard	0536 -1443-4-14	13,144	12,498
Nedbank			
Investment 1	1461827	14,562	14,017
Investment 2	0835053	15,852	15,259
Investment 3	1679521	81,256	78,217
FNB			
Investment 1	62101572001	406,250	1,586,324
Investment 2	62101572172	11,072	10,962
Call Account	62101571710	1,647,222	3,783,291
Call Account: Housing	62214429799	61,917	60,118
ABSA *			
Investment 1	20- 66260264	3,221,173	3,063,302
		<u>5,472,448</u>	<u>8,623,989</u>

\* The ABSA investment is ceded to DBSA as security for the loan taken from the DBSA. (Refer to Appendix "A").

**11 BANK BALANCES AND CASH**

The Municipality has the following bank accounts:

Current account (Primary bank account)

First National Bank -  
Account number - 62025429232

Cash book balance at beginning of year ( overdrawn )	589,210	321,300
Cash book balance at end of year	430,109	589,210
Bank statement balance at beginning of year	485,147	307,931
Bank statement balance at end of year	380,093	485,147

**KMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>12 REVENUE FROM NON EXCHANGE TRANSACTIONS - PROPERTY RATES</b>		
Actual		
Agricultural	4,822,195	2,898,038
Residential	3,842,660	2,309,358
Commercial	1,770,240	1,063,877
Public service infrastructure	4,235,217	2,545,277
State	891,990	536,067
Other		
Total assessment rates	<u>15,562,302</u>	<u>9,352,617</u>
Gross Rates	63,595,624	31,174,833
Rebates	(48,033,322)	(21,822,016)
Net Rates	<u>15,562,302</u>	<u>9,352,617</u>
Valuations as at 01 July 2012		
Agricultural	2,522,223,000	1,815,124,000
Residential	888,496,000	264,634,000
Commercial	261,436,000	161,170,000
Public service infrastructure	1,128,196,000	425,861,000
State	155,243,000	44,007,000
Other	82,963,000	13,353,000
Total property valuations	<u>6,038,557,000</u>	<u>2,724,149,000</u>
<b>13 REVENUE FROM EXCHANGE TRANSACTIONS - SERVICE CHARGES</b>		
Refuse removal	1,649,781	1,480,958
	<u>1,649,781</u>	<u>1,480,958</u>
<b>14 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	55,307,000	49,180,000
Clinic subsidy	-	210,076
Conditional grants utilised	<u>21,158,000</u>	<u>21,269,065</u>
	<u>21,158,000</u>	<u>21,479,141</u>
MIG	18,404,000	15,171,000
MSIG	800,000	856,811
FMG	1,500,000	1,842,166
HOUSING PLAN	-	6,783
DEPARTMENT OF ENERGY	-	3,392,285
DEPARTMENT OF ARTS AND CULTURE	454,000	-
	<u>21,158,000</u>	<u>21,269,065</u>
Refer Appendix F		
<b>15 OTHER INCOME</b>		
Fees: Photocopies	19,350	12,358
Fees: Rates Clearance	12,183	11,652
Library Fines	840	691
Interest: Current Account	13,822	12,583
Fees	7,677	20,793
Community Hall	32,656	31,856
Maintenance	192,292	116,864
Cemetery	6,109	5,522
Postal Service	48,316	51,298
Sundry		
	<u>333,255</u>	<u>263,417</u>

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>16 EMPLOYEE RELATED COSTS</b>		
Employee related costs - salaries and wages	21,272,404	19,467,944
Employee related costs - contributions to UIF, pension and medical costs	4,533,611	3,684,296
Travel, vehicle, accommodation, subsistence and other allowances	1,447,575	1,106,182
Housing benefits and allowances	114,728	95,764
Overtime payments	713,728	569,848
Bonus	1,147,832	1,028,025
Skills Levy/Protective Clothing/Bargaining Council	482,200	564,709
Sub-total	29,692,079	26,516,768
Less: Employee costs allocated to Property, Plant and Equipment		
Less Employee costs included in other expenses		
Total employee related costs	<u>29,692,079</u>	<u>26,516,768</u>

There were no loans to employees.

Included in Employee Related costs:

Remuneration of the Municipal Manager

Annual remuneration

Car allowance

Contributions to Medical and Pension Funds and UIF

786,651	625,806
135,488	127,200
0	112,833
<u>922,119</u>	<u>865,839</u>

Remuneration of the Chief Financial Officer

Annual remuneration

Bonus

Car allowance

Contributions to Medical and Pension Funds

540,462	506,503
15,000	15,000
102,240	98,000
943	943
<u>658,645</u>	<u>618,446</u>

Remuneration of other managers

30-Jun-2013

Annual remuneration

Bonus

Car allowance

Contributions to Medical and Pension Funds

Technical Services	Corporate Services	Community Services
0	523,462	455,544
0	0	13,250
0	69,319	79,655
0	0	44,332
<u>0</u>	<u>592,781</u>	<u>592,781</u>

30-Jun-2012

Annual remuneration

Bonus

Car allowance

Contributions to Medical and Pension Funds

491,514	378,243	426,932
0	0	13,250
65,088	86,647	74,794
0	91,712	41,826
<u>556,602</u>	<u>556,602</u>	<u>556,802</u>

**17 REMUNERATION OF COUNCILLORS**

Mayor

Deputy Mayor

Speaker

Executive committee members

Councillors

630,734	630,734
362,329	362,329
362,329	362,329
1,021,671	1,021,671
3,919,008	3,872,475
<u>6,296,071</u>	<u>6,249,538</u>

Being a full time councillor the Mayor has the use of an office and a mayoral vehicle for official duties

**uMSHATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>18 INTEREST PAID</b>		
External loans	2,134,019	2,704,115
Operating Lease Payments	0	0
Finance leases	47,460	0
	<u>2,181,479</u>	<u>2,704,115</u>
 <b>Operating Leases - Rental: Copiers</b>		
The municipality has recognised the leases on photocopiers as operating leases and recognised the contractual payments as expenses.		
Operating Lease Commitments:		
- within 1 year	321,902	274,857
- within 2nd and 5th year inclusive	201,240	523,142
 <b>19 PRIOR PERIOD ERRORS</b>		
Allowances for councillors sitting at the District for 2009, 2010 and 2011		966,327
PAYE owed to SARS for 2011		830,910
Payments for 2012 not provided for.		288,573
	<u>0</u>	<u>2,085,810</u>
 Restatement of Accumulated Surplus and Creditors for 2012		
Accumulated Surplus		
Original Amount		108,058,438
Restated Amount		103,573,349
Creditors		
Original Amount		4,239,018
Restated Amount		6,324,827
 <b>20 CASH GENERATED BY OPERATIONS</b>		
Surplus (deficit) for the year	34,514,814	27,934,478
Deficit - Housing operating account		
Adjustment for:		
Prior year		
Depreciation	5,498,517	6,540,321
Reversal of Water Debtors	0	0
Contributions to provisions- non-current		
Contributions to provisions - current		
Contributions to bad debt provision		
Investment Income	-795,711	-571,138
Interest paid	2,181,478	2,704,115
Operating deficit before working capital changes	<u>41,399,098</u>	<u>36,607,776</u>
Change in Working Capital	-17,877,906	-10,594,264
	<u>23,521,192</u>	<u>26,013,512</u>
 <b>21 BANK BALANCES AND CASH</b>		
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Cash on Hand	2,348	2,348
Bank balances and cash	430,109	589,210
	<u>432,454</u>	<u>591,556</u>
 <b>22 RELATED PARTY TRANSACTIONS</b>		
23.1 The wife of Councillor M.J. Mkhize has an interest in Silver Stars, the service provider performing the grass cutting function in New Hanover.		
	359,775	

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>23 23.1 Contributions to organised local government</b>		
Opening balance		
Council contributions	0	-
Amount paid - current year	0	-
Amount paid - previous years		
Balance unpaid ( included in creditors )	0	-
<b>23.2 Audit fees</b>		
Amount paid current year	590,860	630,552
<b>23.3 VAT</b>		
Opening balance	359,359	1,317,911
Current year output VAT	-668,981	-625,108
Current year input VAT	5,016,342	3,999,991
Amount paid - current year		
Amount refunded by SARS - current	-2,974,881	-4,333,435
Amount due from SARS - included in debtors	<u>1,731,840</u>	<u>359,359</u>
All VAT returns have been submitted by the due date.		
<b>23.4 PAYE and UIF</b>		
Current year payroll deductions and Council UIF contributions	4,131,434	4,053,458
Amount paid - current year	4,131,434	4,053,458
<b>23.5 Pension and medical aid deductions</b>		
Current year payroll deductions and Council contributions	4,356,797	4,065,830
Amount paid - current year	4,356,797	4,065,830
<b>23.6 Councilors arrear consumer accounts</b>		
No Councilors had arrear accounts outstanding for more than 90 days as at :		
30 June 2012	Total	Outstanding less than 90 days      Outstanding more than 90 days
	-	-      -
30 June 2013	Total	Outstanding less than 90 days      Outstanding more than 90 days
	-	-      -



**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>23.7 General Expenses: Detail</b>		
Advertisements	290,179	318,201
Arts and Culture	74,242	14,700
Audit Fee: External	590,860	630,552
Bank Charges	68,925	73,443
Bursaries	103,114	0
Chemicals and Oil Dispersants	0	10,322
Communication: Budget Process	593,774	225,435
Conferences & Seminars	498,907	569,771
Crime Prevention	3,290	57,393
EAP	593,026	21,699
Entertainment	0	2,000
FBS & FBE	1,231,448	765,753
HIV/AIDS	96,467	125,961
Hospitality/Mayor's Outreach Program	135,812	28,170
Housing Plan	13,500	91,700
IDP Review	747,157	272,392
Information Technology	1,853,630	1,464,537
Insurance	444,595	402,588
Internal Audit	351,484	282,341
Law Enforcement	52,925	56,778
LED Projects	421,886	1,482,876
Legal Expenses	192,696	232,838
Materials	217,848	209,518
Medical Supplies	35,111	100,201
Pauper Burials	29,180	71,453
Plant Hire	376,412	107,600
Postage & Stamps	133,380	139,882
Pound	360,000	30,000
Printing and Stationery	354,948	264,528
Purchases: Electricity	1,095,904	920,100
Refreshments	172,414	193,548
Refuse Removal	718,012	1,265,097
Rental: Copiers	586,642	587,073
Road Signs	11,720	7,140
Security	1,224,899	1,283,328
Senior Citizens	180,802	0
Small Scale Disasters	197,078	31,547
Social Empowerment	488,640	98,985
Special Projects	207,723	515,729
Sports Promotion	820,993	935,980
Subscriptions	429,384	178,082
Subsistence and Travelling	1,753,355	872,123
Sundries	10,052	28,463
Telephones	1,333,472	1,241,093
Tools	0	18,258
Towing of Vehicles	0	350
Town Planning	107,758	98,145
Training	540,818	562,616
Transport/Vehicle Cost	1,487,249	1,718,074
Valuation Fees	194,945	31,639
Ward Committees	923,181	463,129
Water Quality Monitoring	0	5,000
Woman Empowerment	282,942	
Workmans Compensation	1,947	616
Youth Desk	122,915	259,408
	<b>22,747,650</b>	<b>19,360,128</b>

**23.8 Bank Account held by the Municipality**

Bank	Type	A/C No.	2013		2012	
			Opening	Closing	Opening	Closing
FNB - Primary Bank Account	Chq	62025459232	485,147	380,093	307,931	485,147
Standard Bank	Inv	0536-1443-4-14	12,498	13,144	11,853	12,498
Nedbank	Inv	1461827	14,017	14,562	13,433	14,017
Nedbank	Inv	0635053	15,259	15,852	14,623	15,259
Nedbank	Inv	1679521	78,217	81,256	74,959	78,217
FNB	Inv	62101572081	1,586,324	406,250	58,361	1,586,324
FNB	Inv	62101572172	10,962	11,072	10,852	10,962
FNB	Inv	62101571710	3,783,291	1,647,222	500,987	3,783,291
FNB	Inv	62214429799	60,118	61,907	66,901	60,118
ABSA	Inv	20-6626-0264	3,063,302	3,221,173	2,920,571	3,063,302

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**24 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

	2013 R	2012 R
- approved and contracted for		
Infrastructure	0	16,250,000
Community	0	2,300,000
- approved but not yet contracted for		
Infrastructure	17,900,000	11,610,000
Land and buildings	8,618,000	0
Community	3,300,000	0
Plant	1,000,000	
Vehicles	1,700,000	
Furniture and Equipment	800,000	
	<u>33,318,000</u>	<u>30,160,000</u>
This expenditure will be financed from		
- capital replacement reserve		2,001,000
- government grants	22,296,000	18,404,000
Revenue	11,022,000	9,755,000
	<u>33,318,000</u>	<u>30,160,000</u>

**25 RETIREMENT BENEFIT INFORMATION**

Certain Councillors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and the Municipal Councillors Pension Fund. Employees of uMshwathi make up less than 1 % of the total members of the funds. uMshwathi's liability in these funds could not be determined owing mainly to the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005.

Current Year's Contribution

<u>4,486,559</u>	<u>4,252,064</u>
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**25.1 SUPERANNUATION FUND**

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 25.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)
- 25.1.2. deficit of R 88,3 million in respect of members (funding level 95 %)
- 25.1.3. the fund was thus 104,3% funded
- 25.1.4. the fund did not hold an investment reserve.
- 25.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
- 25.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit. This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

**25.2 RETIREMENT FUND**

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 25.2.1. surplus of R83,4 million in respect of pensioners (funding level 116,2%)
- 25.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)
- 25.2.3. the fund was thus 87,7% funded
- 25.2.4. the fund did not hold an investment reserve
- 25.2.5. the total contribution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,59% of members pensionable emoluments. This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

**uMSHATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>26 CONTINGENT LIABILITIES</b>		
The following cases are still pending involving the municipality:		
Promac Consulting		
This amount is for consulting fees for a project which was never initiated and the municipality is of the opinion that it is not liable for this cost.	0	609,878
Siyabonga Protection		
This is for an objection raised by Siyabonga Protection on the award of a security tender.	60,000	60,000
CSM Consulting		
This matter is for a claim for work done on a housing project. Any amount paid by the municipality is claimed back from the Department of Human Settlement.	0	100,000

**27 RISK MANAGEMENT**

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk and cash flow interest rate risk) credit risk and liquidity risk. The municipality has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

**Liquidity risk**

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

**Interest rate risk**

As the municipality has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customers, taking into account its financial position, past experience and other factors.

IRREGULAR EXPENDITURE

The following is a list of expenditure for which there was a deviation from the normal SCM process in that three quotations or more were not received although three or more quotations were requested.

No.	Req.	Service/Goods	Contract Value	Contract Period	Name of Service Provider	Approval Date	Memo approved Y/N	Reason for deviation
1	12630	Catering for players participating in Salga games	30,150.00	Once Off	Zamayeyesa	11/09/2012	Y	Less than three suppliers responded
2	12544	Marquee, tables, chairs and covers	15,789.00	Once Off	Star Hire	01/11/2012	Y	Less than three suppliers responded
3	10614	Medical Supplies	31,308.50	Once Off	Kendon Laboratories	02/07/2012	Y	Less than three suppliers responded
4	10705	200 X Open drums	30,000.00	Once Off	Anchor Pail & Drum	13/07/2012	Y	Less than three suppliers responded
5	10707	Producing tender documents	32,961.56	Once Off	Nduluksa Consulting	13/07/2012	Y	Less than three suppliers responded
6	10708	Producing tender documents	60,161.77	Once Off	Lesedi Consulting	13/07/2012	Y	Less than three suppliers responded
7	12872	Gardens and Roads Materials	20,608.05	Once Off	Drakewoods	09/01/2013	Y	Less than three suppliers responded
8	14419	Advertisement of an invitation to bid	19,766.05	Once Off	Ayanda Mbanga Comm.	22/03/2013	Y	Less than three suppliers responded
9	13253	Accommodation for 9 people	25,264.00	Once Off	Regal Inn Express	11/02/2013	Y	Less than three suppliers responded
10	12862	Catering for 200 people	30,000.00	Once Off	SRB Suppliers	29/01/2013	Y	Less than three suppliers responded
11	13358	Blocks Making Machine	17,464.80	Once Off	Pennypinchers	25/02/2013	Y	Less than three suppliers responded
12	12976	Gaugumma roof materials	12,618.66	Once Off	Woodlands Builders	21/02/2013	Y	Less than three suppliers responded
13	13312	Blocks Making Machine	17,464.80	Once Off	Pennypinchers	14/03/2013	Y	Less than three suppliers responded
14	13424	ABET Learners	87,044.13	Once Off	Snegugu Skills Consultant	11/03/2013	Y	Less than three suppliers responded
15	14415	Hire of Tip Truck and TLB	93,652.50	Once Off	SB Ncalane	25/03/2013	Y	Less than three suppliers responded
16	13424	ABET Learners	87,044.13	Once Off	Snegugu Skills Consultant	04/04/2013	Y	Less than three suppliers responded
17	13415	Advertisement	21,857.68	Once Off	Human Communications	06/03/2013	Y	Less than three suppliers responded
18	14424	Airconditioners	14,040.00	Once Off	Duzi Airconditioning	12/04/2013	Y	Less than three suppliers responded
19	14030	Advertisement	18,856.33	Once Off	Ayanda Mbanga Comm.	15/04/2013	Y	Less than three suppliers responded
20	13465	Advertisement	14,317.16	Once Off	Ayanda Mbanga Comm.	17/04/2013	Y	Less than three suppliers responded
21	14439	Pesticide Spray	14,683.20	Once Off	Masoor	16/04/2013	Y	Less than three suppliers responded
22	14449	Office Furniture	161,019.30	Once Off	Versatile Interiors	19/04/2013	Y	Less than three suppliers responded
23	14369	White Chickens	16,250.00	Once Off	Albion Chick sales	22/04/2013	Y	Less than three suppliers responded
24	14021	10 x Trellidors & Electronic Cashier Drawers	39,905.00	Once Off	Bunathi Security	22/04/2013	Y	Less than three suppliers responded
25	14127	Material for Cool Air Creche	10,168.00	Once Off	Woodlands Builders	22/04/2013	Y	Less than three suppliers responded
26	14426	Carpets Floor and Wooden Floor Skirting	48,030.00	Once Off	Skhulasone Dev. Enterpr	29/04/2013	Y	Less than three suppliers responded
27	14375	Accommodation and Conferencing	133,825.00	Once Off	Peermont Mondazur Hotel	19/04/2013	Y	Less than three suppliers responded
28	14055	Tent, Stage, round tables, chairs, trestles	12,725.00	Once Off	Coastal Beauty Trading	15/05/2013	Y	Less than three suppliers responded
29	14050	Catering for 200 VIP Guests	34,000.00	Once Off	SRB Suppliers	15/05/2013	Y	Less than three suppliers responded
30	14052	PA Sound System with 3 X Microphones	20,000.00	Once Off	Nkonka Vision Invest.	15/05/2013	Y	Less than three suppliers responded
31	14054	Marquee, Chairs and Stage	88,500.00	Once Off	Nkonka Vision Invest.	15/05/2013	Y	Less than three suppliers responded
32	18028	Musical Performance	23,000.00	Once Off	Izingane Zoma	16/05/2013	Y	Less than three suppliers responded
33	14165	7 X FS 400 Brush Cutters	50,034.60	Once Off	Logquip-Umvol Repairs	05/06/2013	Y	Less than three suppliers responded
34	14182	Brush Cutters Servicing Equipment	20,992.26	Once Off	PMB Power Products	05/06/2013	Y	Less than three suppliers responded
			1,353,501.48					

Note 29

Reconciliation of Actual and Budget Information

Details	Original Budget	Adjustments (S 28)	Final Budget	Actual	Unauthorised Expenditure	Variance	Actual as % of Final Budget	Actual as % of Original Budget
<b>Revenue</b>								
Property Rates	12,952,000	2,250,000	15,202,000	15,562,302		360,302	102.37%	120.15%
Service Charges	1,550,000	150,000	1,700,000	1,649,791		-50,209	97.05%	106.44%
Investment Revenue	400,000	400,000	800,000	795,711		-4,289	99.46%	198.93%
Grants: Operational	59,477,000	454,000	59,931,000	58,061,000		-1,870,000	96.88%	97.62%
Other Revenue	10,286,000	300,500	10,586,500	29,794,814		19,208,314	281.44%	289.66%
	<b>84,665,000</b>	<b>3,554,500</b>	<b>88,219,500</b>	<b>105,863,617</b>	<b>0</b>	<b>17,644,117</b>	<b>6.77</b>	<b>8.13</b>
<b>Expenditure</b>								
Employee Costs	31,308,000	-8,500	31,299,500	29,692,079		-1,607,421	94.86%	94.84%
Councillor Allowances	7,766,000	0	7,766,000	6,296,071		-1,469,929	81.07%	81.07%
Depreciation	8,000,000	-1,500,000	6,500,000	5,498,517		-1,001,483	84.59%	68.73%
Interest Paid	2,500,000	0	2,500,000	2,181,478		-318,522	87.26%	87.26%
Repairs and Maintenance	6,158,000	50,000	6,208,000	3,851,107		-2,356,893	62.03%	62.54%
Other Expenditure	18,978,000	4,013,000	22,991,000	22,900,781		-90,219	99.61%	120.67%
Contribution to Reserves	200,000	1,000,000	1,200,000	928,771		-271,229	77.40%	464.39%
Contribution to Capital	9,755,000	0	9,755,000			-9,755,000		
	<b>84,665,000</b>	<b>3,554,500</b>	<b>88,219,500</b>	<b>71,348,804</b>	<b>0</b>	<b>-16,870,696</b>	<b>5.87</b>	<b>9.79</b>

Surplus/Deficit

0.00      0.00      0.00      0.00      34,514,814      0.00      34,514,814

Capital Funding Recognised (Included in Other Revenue)

18,404,000      Budgeted Surplus      0

Internal Funding for Capex

7,165,099

Total Capex

25,569,099

**uMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2013**

**APPENDIX A**

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 30-Jun-12	Received during the year	Redeemed or written off during the year	Balance at 30-Jun-13
ANNUITY LOAN				R	R	R	R
FIRST NATIONAL BANK	2	Prime less 1,00 %	3/31/2018	8,467,825	0	839,242	7,628,583
DEVELOPMENT BANK	1	9,4 %		14,411,695	0	280,884	14,130,811
<b>TOTAL EXTERNAL LOANS</b>				<b>22,879,520</b>	<b>0</b>	<b>1,120,127</b>	<b>21,759,393</b>

**Note:**

The investment with ABSA Bank (as per note 11) is ceded to DBSA as security for the loan taken.

APPENDIX B  
UMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2013

	Cost/ Revaluation			Accumulated Depreciation			Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Disposal	Closing Balance	Opening Balance		
<b>Land and Buildings</b>								
Land	12,857,994				12,857,994	825,953	12,032,041	0
Buildings	44,924,008	228,992	9,202,687		54,355,687	6,676,426	45,769,886	13,595,000
	57,782,003	228,992	9,202,687	0	67,213,681	7,502,379	57,801,927	13,595,000
<b>Infrastructure</b>								
Electrification reticulation	10,715,108	172,437			10,887,545	0	10,887,545	0
Sewer reticulation	0				0	0	0	0
Construction works	60,884,522	1,493,837	9,225,487		71,603,846	26,533,271	42,532,304	16,010,000
	71,599,630	1,666,274	9,225,487	0	82,491,391	26,533,271	53,419,849	16,010,000
<b>Other Assets</b>								
Office and computer equipment	935,304	550,877			1,486,181	871,189	450,897	470,000
Furniture and fittings	1,603,572	149,327			1,752,899	907,380	651,974	0
Tools	71,889				71,889	68,257	3,632	0
Motor vehicles and major equipment	2,194,717	4,512,979			6,707,696	1,400,088	4,686,629	4,580,000
Machinery	621,885	32,475			654,360	452,338	129,772	30,000
Air conditioners	138,920				138,920	78,658	60,262	0
Other	138,018				138,018	137,718	300	0
	5,704,305	5,245,659	0	0	10,949,964	3,975,628	5,983,466	5,080,000
<b>Total</b>	<b>135,085,938</b>	<b>7,140,925</b>	<b>18,428,174</b>	<b>0</b>	<b>160,655,036</b>	<b>37,951,278</b>	<b>117,205,242</b>	<b>34,685,000</b>
<b>Intangible Assets</b>								
Computer Software	321,844				321,844	321,844	0	0
<b>Total</b>	<b>135,407,782</b>	<b>7,140,925</b>	<b>18,428,174</b>	<b>0</b>	<b>160,976,880</b>	<b>38,273,122</b>	<b>117,205,242</b>	

APPENDIX C

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2013

	Cost/ Revaluation				Accumulated Depreciation			Carrying Value
	Opening Balance	Additions	Under Construction	Disposal	Closing Balance	Disposals	Closing Balance	
Executive and Council	15,256,293	3,080,209	7,110,783		25,447,285		1,403,752	24,043,533
Finance and Admin	18,158,112	550,877			18,708,989		5,169,623	13,539,366
Health	72,820				72,820		72,819	1
Community & Social Services	35,470,789	550,094	2,091,904		38,112,786		7,763,115	30,349,671
Public Safety	852,806				852,806		527,040	325,766
Waste Management	675,729	1,382,098			2,257,827		82,806	2,175,021
Road Transport	63,265,295	1,345,172	9,225,487		73,835,955		24,757,700	46,539,984
Other	1,334,094	32,475			1,366,569		1,134,668	231,901
	135,085,938	7,140,925	18,428,174	0	160,655,036	0	43,449,794	117,205,242
Intangible Assets	321,844				321,844		321,844	0
	135,407,782	7,140,925	18,428,174	0	160,976,880	0	43,771,638	117,205,242



FOR THE YEAR ENDED 30 JUNE 2013

	2013			2012		
	Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R	Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
Executive and Council	59,321,522	22,276,973	37,044,549	61,385,691	30,906,527	30,479,164
Finance and Admin	23,935,418	26,791,764	(2,856,347)	8,924,605	15,235,421	(6,310,816)
Health	-	61,569	(61,569)	210,076	270,892	(60,816)
Community & Social Services	2,313,684	7,156,779	(4,843,095)	2,080,676	6,001,254	(3,920,578)
Public Safety	46,910	314,844	(267,934)	41,971	206,122	(164,151)
Waste Management	1,649,791	1,919,660	(269,869)	1,480,958	1,456,469	24,489
Road Transport	18,596,292	12,827,214	5,769,079	18,563,285	10,676,099	7,887,186
<b>Sub - total</b>	<b>105,863,617</b>	<b>71,348,804</b>	<b>34,514,814</b>	<b>92,687,262</b>	<b>64,752,784</b>	<b>27,934,478</b>

**uMISHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET ( REVENUE AND EXPENDITURE ) FOR THE YEAR ENDED 30 JUNE 2013**  
**APPENDIX E (1)**

REVENUE	2013 Actual R	2013 Budget R	2013 Variance R	2013 Variance %	Explanation of significant variances
Property rates	15,562,302	15,230,000	332,302	2	
Property rates - penalties imposed and collection charges	1,048,502	800,000	248,502	31	The large increase is due to the increase in debtors.
Service charges	1,649,791	1,700,000	(50,209)	(3)	
Rental of facilities and equipment	172,800	145,000	27,800	19	The increase was mainly due to the increase in rentals and additional property being rented out.
Interest earned - external investments	795,711	800,000	(4,289)	(1)	
Interest earned - outstanding debtors	7,563,583	7,000,000	563,583	8	The large increase is due to the increase in debtors.
Fines	46,910	101,000	(54,090)	(54)	This is as result of non payment of traffic fines. Initiatives have been taken to recover outstanding fines
Licences and permits	2,225,764	1,900,000	325,764	17	The intake of learner licences increased during the year.
Income for agency services	0	0	-		
Government grants and subsidies	58,061,000	58,403,000	(342,000)	(1)	
Other income	333,255	640,500	(307,245)	48	The subsidy from health was not received
MIG Funds	18,404,000	0			
<b>Total Revenue</b>	<b>105,863,617</b>	<b>86,719,500</b>	<b>740,117</b>	<b>1</b>	
EXPENDITURE	2013 Actual R	2013 Budget R	2013 Variance R	2013 Variance %	
Employee related costs	29,692,079	31,299,500	(1,607,421)	(5)	All budgeted posts were not filled.
Remuneration of Councillors	6,296,071	7,766,000	(1,469,929)	(19)	Although the budget for EXCO members was budgeted for full time they were paid as parttime
Collection costs	0	100,000	(100,000)	(100)	The consultant involved in debt collection resigned during the year
Depreciation	5,498,517	7,500,000	(2,001,483)	(27)	The budget for depreciation was over estimated.
Repairs and maintenance	3,851,107	6,208,000	(2,356,893)	(38)	Certain work that was budgeted as maintenance was converted to capital expenditure
Interest paid	2,181,478	2,300,000	(118,522)	(5)	
Contracted services	153,131	75,000	78,131	104	Consultants had to be used to carry out certain unexpected work
General expenses	22,747,650	21,516,000	1,231,650	6	Certain expenditure that was budgeted for were not incurred.
Contribution to Reserves	928,771	200,000	728,771	364	The leave reserve was increased to provide for the maximum leave days staff are allowed to encash.
Capital Contribution	0	9,755,000			
<b>Total Expenditure</b>	<b>71,348,804</b>	<b>86,719,500</b>	<b>(5,615,696)</b>	<b>(6)</b>	
<b>Surplus (Deficit) for the year</b>	<b>34,514,814</b>	<b>-</b>	<b>6,355,814</b>		

APPENDIX E (2)

uMSHATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2013

	2013 Actual R	2013 Under Construction R	2013 Total Additions R	2013 Budget R	2013 Variance R	2013 Variance %	Explanation of significant variances
Infrastructure	172,437		172,437	0	172,437		Retention payment for electrification
Construction works	1,493,837	9,225,487	10,719,324	16,010,000	(5,290,676)	(33)	There was a delay in the implementation of some of the projects.
	1,666,274	9,225,487	10,891,761	16,010,000	-5,118,239		
<b>Community Assets</b>							
Land	0	0	0	0	-		
Buildings	228,992	9,202,687	9,431,679	13,595,000	(4,163,321)	(31)	There was a delay in the implementation of some of the projects.
	228,992	9,202,687	9,431,679	13,595,000	-4,163,321		
<b>Other Assets</b>							
Office and accounting machines	550,877		550,877	470,000	80,877	17	Additional Laptops were required for new appointments
Furniture and fittings	149,327		149,327	0	149,327		
Machinery	32,475		32,475	30,000	2,475	8	Minor plant and machinery was required urgently
Vehicles	4,512,979		4,512,979	4,580,000	(67,021)	(1)	
	5,245,659	0	5,245,659	5,080,000	165,659		
<b>Total</b>	<b>7,140,925</b>	<b>18,428,174</b>	<b>25,569,099</b>	<b>34,685,000</b>	<b>(9,115,902)</b>	<b>(26)</b>	

APPENDIX F to Annual Financial Statements as at 30 June 2013									
UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003									
Description	Name of organ of State	Unspent balance at 1 July 2012	Received 2012/2013	Expenditure 2012/2013	Transfer 2012/2013	Unspent balance at 30 June 2013	Compliance with grant conditions	Conditions of Grant	
		R	R	R	R	R	YES/NO		
MIG	National Government	0	18,404,000	(18,404,000)	0	0	YES	Expenditure to be in terms of projects registered	
GRANTS - GENERAL		58,025		(58,025)		0	YES		
MSIG	National Government	0	800,000	(800,000)	0	0	YES	Expenditure in terms of Activity Plan submitted	
HOUSING PLAN		60,118		(60,118)		0	YES		
DEPARTMENT OF ARTS AND CULTURE	Dept. of Arts & Culture	0	454,000	(454,000)		0	YES		
FINANCE MANAGEMENT	National Government	0	1,500,000	(1,500,000)		0	YES	Expenditure in terms of implementation Plan submitted	
		118,143	21,158,000	(21,276,143)	0	0			
Expenditure		21,276,143							
Old Grants Recognised as Revenue		-118,143							
As per Note 14		21,158,000							